

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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April 12, 2021

Therese W. McMillan, Executive Director
Association of Bay Area Governments
375 Beale Street, Suite 700
San Francisco, CA 94105

Dear Executive Director Therese W. McMillan:

RE: Review of Draft Regional Housing Need Allocation (RHNA) Methodology

Thank you for submitting the draft Association of Bay Area Governments (ABAG) Sixth Cycle Regional Housing Need Allocation (RHNA) Methodology. Pursuant to Government Code Section 65584.04(i), the California Department of Housing and Community Development (HCD) is required to review draft RHNA methodologies to determine whether a methodology furthers the statutory objectives described in Government Code Section 65584(d).

In brief, the draft ABAG RHNA methodology begins with the total regional determination provided by HCD of 441,176 units and uses a baseline allocation to assign each jurisdiction a beginning share of the units. The baseline allocation is based on each jurisdiction's share of the region's total households in the year 2050 from the Plan Bay Area Final Blueprint. The methodology then applies one set of factors and weights to adjust the baseline allocation for the very low and low units, and another set for moderate and above moderate units to address the statutory objectives.

For the low- and very low-income allocations, the methodology uses three adjustments: access to high opportunity areas (70 percent), job proximity by auto (15 percent), and job proximity by transit (15 percent). For the moderate and above moderate allocations, the methodology uses two adjustments: access to high opportunity areas (40 percent) and job proximity by auto (60 percent).

Lastly, the methodology applies an equity adjustment that identifies 49 jurisdictions that exhibit higher racial segregation and higher median incomes than regional averages. The adjustment ensures each jurisdiction receives an allocation of lower income units that is proportional to its share of the region's total households in 2020.

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HCD has completed its review of the methodology and finds that the draft ABAG RHNA Methodology furthers the statutory objectives described in Government Code 65584(d).¹ HCD acknowledges the complex task of developing a methodology to allocate RHNA to 109 jurisdictions while furthering the five statutory objectives of RHNA. This methodology largely distributes more RHNA near jobs, transit and resources linked to long-term improvements of life outcomes. In particular, HCD applauds the use of objective factors specifically linked to the statutory objectives.

HCD commends ABAG for a robust methodology development process, with exceptional stakeholder engagement, through its Housing Methodology Committee (HMC). The HMC consisted of nine elected officials and 12 planning staff, with representation from all six ABAG counties. It also consisted of 16 diverse regional stakeholders. This combination of elected officials, local government staff, and regional stakeholders met 12 times over the course of a nearly one calendar year.

Below is a brief summary of findings related to each statutory objective described within Government Code Section 65584(d):

1. Increasing the housing supply and the mix of housing types, tenure, and affordability in all cities and counties within the region in an equitable manner, which shall result in each jurisdiction receiving an allocation of units for low- and very low-income households.

On a per capita basis, the methodology allocates larger shares of RHNA to higher income jurisdictions, resulting in an allocation larger than their existing share of households. Jurisdictions with more expensive housing units – an indicator of higher housing demand – receive larger allocations on a per capita basis. For example, Palo Alto and Menlo Park have some of the highest housing costs in the region, according to American Community Survey Data. Both jurisdictions receive a share of the regional RHNA that is larger than their share of the region's population, putting them in the top 15 per capita allocations. Additionally, jurisdictions with higher rates of home ownership and single-family homes receive slightly larger lower-income allocations as a percentage of their total RHNA (supporting a mix of housing types).

2. Promoting infill development and socioeconomic equity, the protection of environmental and agricultural resources, the encouragement of efficient development patterns, and the achievement of the region's greenhouse gas reductions targets provided by the State Air Resources Board pursuant to Section 65080.

The draft ABAG methodology encourages a more efficient development pattern by allocating nearly twice as many RHNA units to jurisdictions with higher jobs access, on a per capita basis. Jurisdictions with higher jobs access via transit also receive more RHNA on a per capita basis.

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¹ While HCD finds this methodology compliant, applying this methodology to another region or cycle may not necessarily further the statutory objectives as housing conditions and circumstances may differ.

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Jurisdictions with the lowest vehicle miles traveled (VMT) per capita, relative to the region, receive more RHNA per capita than those with the highest per capita VMT. ABAG's largest individual allocations go to its major cities with low VMT per capita and better access to jobs. For example, San Francisco – which has the largest allocation – has the lowest per capita VMT and is observed as having the highest transit accessibility in the region. As a major employment center, San Jose receives a substantial RHNA allocation despite having a higher share of solo commuters and a lower share of transit use than San Francisco. However, to encourage lower VMT in job-rich areas that may not yet be seeing high transit ridership, ABAG's Plan Bay Area complements more housing in these employment centers (which will reduce commutes by allowing more people to afford to live near jobs centers) with strategies to reduce VMT by shifting mode share from driving to public transit.

3. Promoting an improved intraregional relationship between jobs and housing, including an improved balance between the number of low-wage jobs and the number of housing units affordable to low-wage workers in each jurisdiction.

The draft ABAG methodology allocates more RHNA units to jurisdictions with more jobs. Jurisdictions with a higher jobs/housing imbalance receive higher RHNA allocations on a per capita basis. For example, jurisdictions within the healthy range of 1.0 to 1.5 jobs for every housing unit receive, on average, a RHNA allocation that is 61% of their current share of households. Jurisdictions with the highest imbalances – 6.2 and higher – receive an average allocation 1.21 times their current share of households. Lastly, higher income jurisdictions receive larger lower income allocations relative to their existing lower income job shares.

4. Allocating a lower proportion of housing need to an income category when a jurisdiction already has a disproportionately high share of households in that income category, as compared to the countywide distribution of households in that category from the most recent American Community Survey.

On average, cities with a larger existing share of lower income units receive smaller allocations of low- and very-low income units as a percentage of their total RHNA. For example, East Palo Alto's current percentage of households that are lower income is the highest in the ABAG region and it receives the lowest lower income allocation as a percentage of its total RHNA. San Pablo's percentage of households that are lower income is the second highest in the region and its lower income allocation as a percentage of its total RHNA is lower than 92% of other jurisdictions. Cities with smaller shares of existing lower income units receive larger allocations of low- and very low-income units as a percentage of their total RHNA.

5. Affirmatively furthering fair housing, which means taking meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access

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to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws.

HCD applauds the significant weighting of Access to High Opportunity Areas as an adjustment factor and including an equity adjustment in the draft methodology. ABAG's methodology allocates more RHNA to jurisdictions with higher access to resources on a per capita basis. Additionally, those higher-resourced jurisdictions receive even larger lower income RHNA on a per capita basis. For example, the high-resourced communities of Cupertino and Mountain View receive higher total allocations on a per capita basis. For lower resourced jurisdictions with high rates of segregation, such as East Palo Alto, their allocations – particularly lower income RHNA allocations – are much lower on a per capita basis.

HCD appreciates the active role of ABAG staff in providing data and input throughout the draft ABAG RHNA methodology development and review period. HCD especially thanks Gillian Adams, Dave Vautin, and Aksel Olsen for their significant efforts and assistance.

HCD looks forward to continuing our partnership with ABAG to assist its member jurisdictions to meet and exceed the planning and production of the region's housing need.

Support opportunities available for the ABAG region this cycle include, but are not limited to:

- SB 2 Planning Grants Technical Assistance: Ongoing regionally tailored technical assistance will also remain available throughout the housing element development timeline. Technical assistance information is available at <https://www.hcd.ca.gov/community-development/planning-grants-ta.shtml>.
- HCD also encourages all ABAG's local governments to consider the many other affordable housing and community development resources available to local governments, including the Permanent Local Housing Allocation. HCD's programs can be found at <https://www.hcd.ca.gov/grants-funding/nofas.shtml>.

If HCD can provide any additional assistance, or if you, or your staff, have any questions, please contact Tom Brinkhuis, Housing Policy Specialist at (916) 263-6651 or tom.brinkhuis@hcd.ca.gov.



Megan Kirkeby
Deputy Director